



The Voice of Small Business

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**Testimony on Proposal to Establish
a State Run 401K Program**

House New Economy & Quality of Life Committee
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My name is Amanda Fisher and I am the Assistant State Director for the National Federation of Independent Business, an organization providing legislative advocacy for more than 15,000 Michigan small businesses.

I thank the committee for the opportunity to provide some information relative to the concerns of small business and the recent proposal by the governor to set up a state program for 401K retirement plans.

Given the current state of Michigan's economy it is appropriate and necessary for policymakers to focus on small business and the role we play in that regard. However, we respectfully suggest that there are many other pressing issues of small business concern than the aforementioned initiative and that if many of those concerns were addressed, there would be less of a need for involvement on the part of state government in the retirement planning business.

In 2005, the NFIB Research Foundation conducted a small business study and poll on small business and retirement issues. The details of that study can be found in a downloadable PDF file at <http://www.nfib.com/object/sbPolls>. An important finding of that study was that the distribution of retirement plan age indicates that pension plans are typically instituted about five years after the businesses were formed.² This would track with other data that has been widely quoted that finds that the first five years that a small business is in existence are the most critical in determining its longevity. Put another way, many small businesses fail within the first five years. Therefore, public policy that increases the likelihood of small businesses survival would go a long way toward increasing the likelihood that a small business will offer a retirement plan for its employees.

What are the issues faced by small business that are of most concern and where does the ability to offer a retirement plan fall in those concerns? The best place to find that answer is not in the halls of academia but in the offices, factory floors and workplaces of

small businesses themselves. NFIB has asked those questions and small business has responded. At the federal level the top ten out of 75 listed concerns in order of priority were³:

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| 1. Cost of health insurance | 6. Property taxes |
| 2. Cost of liability insurance | 7. Cash flow |
| 3. Workers compensation costs | 8. State business taxes |
| 4. Cost of energy | 9. Unreasonable government regulations |
| 5. Federal business taxes | 10. Locating qualified employees |

At the state level when given a set menu of ten issues to choose from the ten concerns in order of priority were⁴:

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|-----------------------------|-------------------------------|
| 1. Cost of health insurance | 6. Unemployment Insurance tax |
| 2. Single Business Tax | 7. Regulations |
| 3. Workers compensation | 8. State income tax |
| 4. Personal property tax | 9. Sales tax |
| 5. Property tax | 10. Minimum wage |

When asked an open ended question: “what is the single biggest issue affecting your business today?” the following concerns emerge⁴:

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|-----------------------------|------------------------|
| 1. Cost of health insurance | 5. Insurance |
| 2. Taxes | 6. Single Business Tax |
| 3. State economy | 7. Regulations |
| 4. Cost of fuel / energy | 8. State government |

About the only mention that could be extrapolated as concern about setting up retirement plans was a concern about the difficulty with the rules surrounding retirement plans and that was ranked as priority number 49 out of 75 concerns.³

With a prosperous economy, low taxes, reasonable regulations and other elements of an overall positive business climate in the state, there is no need for the state to create programs for small business as they are very adept at taking care of themselves and their employees. We would urge policy makers to confine their efforts to those areas so that small business can get on with the important task of moving Michigan forward.

² National Small Business Poll – retirement Volume 5, Issue 3, 2005. NFIB Research Foundation, Page 4. <http://www.nfib.com/object/sbPolls>.

³ Small Business Problems and Priorities, June 2004, NFIB Research Foundation, Page 13. http://www.nfib.com/object/IO_16191.html.

⁴ NFIB 2005-2006 Make Your Voice Count, Field Survey, Results4.